



Legislative Fiscal Bureau

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Joint Committee on Finance

Paper #795

Implementation of the Federal Real ID Act (DOT -- Motor Vehicles)

Driver License and Identification Card Security Verification Mandate Fee (DOT -- Transportation Finance)

Bill Agency

[LFB 2007-09 Budget Summary: Page 545, #1 and Page 531, #5]

CURRENT LAW

The Department of Transportation issues and renews driver's licenses and identification cards to eligible applicants. To qualify for an initial driver's license, an applicant must pass a knowledge and driving skills examination, as well as a vision test. Upon license renewal, applicants generally only have to pass a vision test. An applicant for either a driver's license or identification card must provide proof of his or her date of birth, proof of identity, proof of residency, and if not a United States citizen, proof of his or her legal presence in the country. The Department specifies, by rule, the documents that are considered acceptable proof for each of these items. The applicant must also provide a social security number or, if the applicant does not have a social security number, a statement made by oath or affirmation that the applicant does not have a social security number.

Generally, driver's licenses are valid for a period of eight years, except that an original license is valid for two years from the person's next birthday after issuance, and a license issued to a person moving from another state is valid for three years from the person's next birthday. Licenses issued to a person who is not a United States citizen and who does not have permanent residency are valid until the person's legal presence in the United States expires. An identification card is valid for a period of four years.

The fees for driver's licenses and identification cards are as follows: (a) \$18 for an initial license for class D vehicles (passenger automobiles, light trucks, etc.); (b) \$24 for the renewal of a class D license; (c) \$12 for an original motorcycle endorsement and \$8 for the renewal of the endorsement; (d) \$64 for an original or renewal commercial driver's license; (e) \$50 to reinstate a revoked or suspended license; (f) \$40 for an occupational license; and (g) \$9 for an identification card.

GOVERNOR

The following is an abbreviated summary of the Governor's provisions related to the implementation of the Real ID Act and the creation of the driver license and identification card security verification mandate fee. For the full summary, see the LFB's "Summary of Governor's Budget Recommendations."

Provide \$9,805,300 SEG and 25.9 SEG positions in 2007-08 and \$12,184,000 SEG and 25.9 SEG positions in 2008-09 for the implementation of provisions in the federal Real ID Act related to driver licensing and identification card issuance.

Unless otherwise specified, the following provisions take effect on May 11, 2008.

Driver's License and Identification Card Requirements

Prohibit the Department of Transportation (DOT) from processing an application, received after May 10, 2008, for initial issuance or renewal of a driver's license or identification card, and prohibit the Department from issuing a license or card, unless the applicant presents or provides the following information, and the Department verifies the information in the manner and to the extent required under federal law: (a) an identification document that includes either the applicant's photograph or both the applicant's full legal name and date of birth; (b) documentation showing the applicant's date of birth, which may be the identification document listed under "a"; (c) proof of the applicant's social security number, or verification that the applicant is not eligible for (as opposed to not having) a social security number; (d) documentation showing the applicant's name and address of principal residence; and (e) documentary proof that the applicant is a citizen of the United States or otherwise is legally present in the United States. Prohibit the Department from accepting any foreign documents, other than an official passport, to satisfy the above requirements.

Specify that the documentation requirements outlined above do not apply to an application for renewal of a license or card if: (a) the applicant had previously provided the required information and the Department verified the information and recorded the date of verification, in connection with a prior application submitted after May 10, 2008; and (b) the applicant is a U.S. citizen or permanent legal resident.

Permit DOT to issue a receipt to an applicant for a driver's license or identification card that shall be valid as a driver's license or identification card during the period in which the Department processes the application, up to a maximum of 30 days.

Provisions Related to Non-Citizens

Modify current law provisions that specify that a driver's license or identification card issued to a person who is not a United States citizen shall expire on the date that the person's legal presence in the United States is no longer authorized, to specify, instead, that the license or card expires on the date that the applicant's legal presence expires or one year after the date of issuance or renewal, whichever is earlier, if the applicant does not have permanent legal status in the United States. Specify that any driver's license or identification card issued to a person whose legal status in the United States is temporary must include a legend stating that the license or card is temporary.

Verification and Electronic Storage of Application Documentation

Require DOT, in processing any application for a driver's license or identification card, to: (a) capture a digital image of each document provided by the applicant; (b) maintain each image in an electronic and transferable format in the applicant's record file for at least ten years; and (c) record in the file the date that each application document is verified. Specify that each person's driver record file shall include any demerit points assessed for the person and all information in data fields printed on any license issued to the person.

Modify a provision that requires DOT to share, upon request, any applicant or driver record information or identification card information with the driver licensing agencies of other jurisdictions, to require DOT to provide electronic access to driver record and application file information, notwithstanding current law confidentiality provisions related to signatures, social security numbers, and photographs.

Permit DOT to provide, upon request, any information collected in the application process for a driver's license or identification card, including providing electronic access to the information, to the Department of Health and Family Services for the sole purpose of verification by DHFS of birth certificate information.

Security Features and Content of Driver's Licenses and Identification Cards

Require all driver's licenses and identification cards to contain physical security features consistent with any requirement under federal law. Specify that driver's licenses and identification cards must display the holder's full legal name (as opposed to "full name" under current law) and principal residence address (as opposed to "residence address"). Delete current law provisions that allow DOT to issue driver's licenses without photographs in certain cases.

Background Investigations of Licensing Personnel

Require DOT, with the assistance of the Department of Justice and notwithstanding current law provisions that prohibit employment discrimination on the basis of various factors, to conduct a background investigation of any person who has been selected to fill a position within the Division of Motor Vehicles responsible for issuing driver's licenses and identification cards, first applying to persons selected to fill positions on January 1, 2008. Permit DOT, at any interval determined appropriate, to conduct additional background investigations of the persons initially tested, as described above, and of other persons employed by the Department within the Division of Motor Vehicles. Require DOT to promulgate rules governing the confidentiality of the information obtained about DOT employees during such background investigations.

Require DOT, as a precondition to allowing access to any information system containing information maintained by DMV, to require any person to whom access is granted to be subject to a background investigation, first applying to persons requesting access on the first day of the fourth month after the bill's general effective date.

Division of Motor Vehicles Service Centers

Delete a provision that requires DOT to conduct driver's license examinations in every county. Delete a requirement that persons applying for a driver's license must appear at the examining station nearest the person's place of residence or at such time and place as the Department designates in answer to an applicant's request.

Federal Security Verification Mandate Fee

Create a \$10 federal security verification mandate fee, payable upon the issuance, renewal, upgrading, or reinstatement of any license, endorsement, or instruction permit and upon the issuance, renewal, or reinstatement of any identification card. Specify that the fee would also apply to the reinstatement of the Wisconsin operating privileges of a nonresident whose operating privileges are revoked under Wisconsin law, in cases where the period of revocation has expired and the nonresident obtains a valid license in his or her jurisdiction of residence. Specify that the \$10 fee would not apply to: (a) the issuance of a duplicate license or card in cases where the license or card holder's address is changed as the result of actions by postal or local authorities; or (b) the reinstatement of a driver's license following an administrative suspension for having a prohibited alcohol concentration if it is determined by a hearing examiner or court that the administrative suspension was improper. Specify that the fee would first apply to applications for licenses or cards received by the Department on January 1, 2008. Increase estimated transportation fund revenues by \$6,915,900 in 2007-08 and \$13,831,900 in 2008-09 to reflect the creation of the \$10 fee.

DISCUSSION POINTS

1. The items in the bill summarized above include changes to driver's licensing

provisions to implement requirements under the federal Real ID Act, the funding to implement those changes, and the creation of a fee designed to generate transportation fund revenue to offset the higher costs associated with complying with the federal act.

Background

2. The federal Real ID Act was signed into law on May 11, 2005, and most of its provisions become effective three years after that date, or May 11, 2008. Under the provisions of the Act, federal agencies, beginning after May 10, 2008, will not accept a driver's license or identification card as proof of identity for official purposes, such as boarding commercial aircraft, accessing federal facilities, and entering nuclear power plants, unless the issuing state is in compliance with the Act's provisions. Initially, an individual's specific driver's license or identification card need not have been issued according to the Real ID Act's standards to be used as a valid license or card for official purposes as long as his or her state has begun issuing licenses and cards according to the Act's standards. Eventually, however, only licenses and cards issued according to the Real ID requirements will be accepted for official purposes. There would be no sanctions applied against the state for the failure to comply with the Act. Only citizens of the state who hold a non-compliant driver's license or identification card would be affected.

3. The Real ID Act establishes minimum standards for all states for the following: (a) the personal identification that must be submitted before a state issues a driver's license or identification card; (b) the procedures that states use to verify the authenticity of the documents presented in the application process and the storage of copies of those documents; (c) the information appearing on the card and the machine readable format used for storing that information on the card; (d) the type of material and printing technology used for cards to discourage the manufacture of fraudulent cards; (e) the procedures used for sharing driver's license and identification card information with other states; (f) the procedures used for the issuance of licenses and identification cards to applicants who are not U.S. citizens and who do not have permanent residency status; and (g) the procedures used to safeguard the security of the card stock and equipment used to make cards and for providing for background checks of employees with access to that card stock and equipment. The next several points outline the most significant specific provisions in the bill that are intended to bring Wisconsin into compliance with the Act.

Discussion of Bill Provisions Related to the Real ID Act

4. Under the bill, the type of documents that would have to be presented for proof of name and date of birth to receive a driver's license or identification card would generally not change significantly from current law. Unlike current law, however, DOT would not be permitted to accept any foreign document, except a passport. Also unlike current law, the Department would be required to verify the authenticity of all identity documents presented with the application according to federal standards and store a scanned copy of these documents in an electronic form for at least ten years. Verification would be accomplished through various electronic databases for items such as U.S. birth certificates, immigration papers, and social security numbers. While some of these databases already exist, some have yet to be established.

5. Under current law, typically the only requirement for renewing a driver's license is to pass an eyesight examination. Under the bill, however, all current holders of driver's licenses (and identification cards) would have to comply with the documentation and verification process upon the first license renewal after the Real ID Act provisions take effect. In most cases, once a person has been issued a license in accordance with these provisions, no further documentation would be required upon renewal. One exception is that a person who does not have permanent legal status in the United States would continue to be required to present proof of legal presence upon renewal. The process of requiring all current holders to present the necessary documentation upon the first renewal after the Real ID Act provisions take effect has been referred to as "reenrollment" by DOT, a term that is also used in this paper.

6. Because of the requirement to verify application documents prior to issuing a driver's license or identification card, the bill permits DOT to issue a receipt, in lieu of the actual license or card, to applicants who meet all other requirements for the license or card. The receipt would serve as a valid license or identification card for up to 30 days, until the Department can complete the verification process and print and mail the final license or card to the applicant.

7. Even if the document verification requirements did not require the delayed issuance of licenses and cards, the Real ID Act's license and card security provisions would still likely make centralized issuance the most feasible approach. The Act requires states to provide physical security for the card stock and the printing equipment, which can be done at less cost at a centralized facility than at multiple DMV service centers. In addition, the specifications for the card printing process, which are designed to make counterfeiting difficult, require more expensive equipment than is currently used. Having a single printing center would reduce the additional cost associated with card printing, compared to a decentralized printing approach.

8. On April 1, 2007, statutory changes took effect that require applicants for driver's licenses or identification cards who are not U.S. citizens to present documentation demonstrating that they are legally present in the U.S. Under these provisions, a license or card issued to someone who does not have permanent legal status expires on the date that the person's legal presence expires. The Governor's bill, in compliance with Real ID Act requirements, modifies this provision to make the licenses and cards issued in these circumstances expire one year after issuance (unless the person's legal presence expires prior to that time). The bill would also make two more technical changes to the current law provisions, effective immediately upon the enactment of the bill. First, it would specify that the special license or card expiration provisions do not apply to a non-citizen who has achieved permanent residency status. Second, it would specify that the expiration date of a license issued to a non-citizen who does not have residency status expires on the date that the license would otherwise expire if issued to a U.S. citizen, if that date occurs prior to the date that the person's legal presence expires.

9. The bill would require DOT to conduct criminal background investigations of new DMV employees and require persons with access to DMV databases (such as data processing contractors) to undergo similar background checks. In addition, DOT would be allowed to develop a process to subject existing employees to background checks and periodically repeat the

background checks. The bill does not specify any particular conditions that would preclude a person from being employed by DOT or from having access to DMV databases. DOT indicates that the list of disqualifying crimes would be determined administratively, in compliance with federal guidelines.

10. The Real ID Act requires states to give other states electronic access to the driver's license and identification card information of its residents. The changes needed to comply with this requirement were included in the Governor's bill, but were summarized in the Fiscal Bureau's summary of the bill's provisions under a separate item related to the implementation of the Driver License Agreement (DLA). The DLA is a multi-state compact related to sharing of driver's license information and establishing consistent procedures for certain licensing actions. The Department had included statutory changes to join the DLA in its 2007-09 agency budget request, indicating that joining the DLA may facilitate the state's compliance with Real ID Act provisions. If the Legislature decides not to include the provisions for the implementation of the DLA, the provisions in the bill related to providing electronic access to driver's license and identification card information would have to be retained in order to comply with the Real ID Act.

11. The bill would provide \$9,805,300 SEG and 25.9 SEG positions in 2007-08 and \$12,184,000 SEG and 25.9 SEG positions in 2008-09 to implement the provisions of the Real ID Act. Of the funding amounts, \$6,769,400 in 2007-08 and \$1,629,700 in 2008-09 would be for implementation costs and \$3,035,900 in 2007-08 and \$10,554,300 in 2008-09 would be for ongoing costs. The following table shows a breakdown of these funding estimates. Following the table is a brief description of each cost item.

Breakdown of Real ID Act Implementation Costs

<u>Item</u>	<u>2007-08</u>	<u>2008-09</u>
Implementation Costs		
Data Processing	\$1,629,700	\$1,629,700
Contract Buyout	2,400,000	0
Scanning Equipment	1,769,000	0
Public Education and Outreach	263,800	0
DMV Service Center Modifications	399,400	0
New Position Support Costs & Background Checks	<u>307,500</u>	<u>0</u>
Total Implementation Costs	\$6,769,400	\$1,629,700
Ongoing Costs		
Card Production	\$2,115,300	\$8,461,200
Salary and Fringe Benefits for New Positions	722,700	1,239,400
Postage and Mailing	149,600	598,300
Phone Line Transaction Costs	38,200	154,200
Verification Transaction Costs	<u>10,100</u>	<u>101,200</u>
Total Ongoing Costs	<u>\$3,035,900</u>	<u>\$10,554,300</u>
Total Costs	\$9,805,300	\$12,184,000

Explanation of Cost Items

- *Data Processing.* Changes to the Department's driver database would be required to reflect new standards for the name and address field, the accommodation of scanned copies of application documentation within the driver record file, the creation of new rules for the expiration of licenses for persons without permanent legal presence, and the creation of interfaces with national document verification databases.
- *Contract Buyout.* Since the driver's license card material and production equipment (cameras and printers) are provided under a contract with a private firm, and since the current contract does not include the new card materials and production processes that would be required under the Real ID Act, the contract would have to be bought out and re-bid. The current contract runs through November, 2010.
- *Scanning Equipment.* The Department would have to purchase new optical scanning equipment to make electronic copies of all application documents.
- *Public Education and Outreach.* The Department anticipates sending mailings to residents informing them of the new requirements, and, in addition, communicating with the courts and law enforcement on the changes.
- *DMV Service Center Modifications.* The Real ID Act requires that a photograph be taken for all applicants, not just applicants for whom a license or card is issued. Consequently, some service centers will require modifications to allow a photograph to be taken as a first step in the application process rather than the last step. For instance, the location of the camera stations may be moved, in relation to the other application processing areas, to allow an efficient flow of applicants through the application process.
- *New Position Support Costs and Background Checks.* The bill would provide 25.9 new positions to accommodate the additional workload, primarily related to document verification tasks. One-time costs would be incurred for training and outfitting the new positions. In addition, the Real ID Act requires all new employees to undergo criminal background checks, the cost of which is included under this heading.
- *Card Production.* Based on preliminary information from the Department of Homeland Security, the Department has estimated that the material used to produce the cards will cost nearly \$7.00 per card, compared to the current cost of just under \$1.00 per card. This item comprises most of the ongoing costs.
- *Salary and Fringe Benefits for New Positions.* Of the 25.9 positions provided by the bill, 22.5 would be frontline personnel for driver's license counter transactions or driver's license skills tests, 1.6 would be new program supervisors for the additional frontline personnel, 1.0 would be an investigator for document and identity fraud, and 0.8 would be for providing assistance in document verification issues for field staff. The Department anticipates that the document

verification requirements will lengthen the time needed for each driver's license and identification card transaction. The new positions would primarily be related to accommodating that additional workload.

- *Postage and Mailing.* The centralized production of driver's licenses and identification cards would require the finished licenses and cards to be mailed to the recipients.
- *Phone Line and Verification Transaction Costs.* The Department anticipates that the use of secure data lines to send scanned copies of documents from DMV service centers and the use of document verification databases will both require higher transaction costs on an ongoing basis.

Discussion of Federal Draft Rules

12. Although the Real ID Act establishes a set of general requirements, it gives the federal Department of Homeland Security (DHS) discretion to provide guidance, by administrative rule, on specific implementation issues. DHS issued draft rules on March 1, 2007, but since SB 40 had already been introduced, the provisions of the rules were not taken into consideration for either the fiscal estimate or statutory changes in the bill. The Department has now completed a review of the draft rules, including a reestimate of the costs of complying with the federal requirements.

13. According to the Department's new fiscal estimate, complying with the DHS draft rules would require a total of \$15,882,800 and 46.3 positions in 2007-08 and \$15,995,600 and 72.7 positions in 2008-09, which is higher than the funding and positions in the bill by \$6,077,500 and 20.4 positions in 2007-08 and \$3,811,600 and 46.8 positions in 2008-09. The reasons for the higher cost can be grouped into four general categories: (a) higher one-time data processing costs due to a revision in the schedule for performing the necessary changes; (b) higher one-time costs associated with more stringent physical security modifications at DMV service centers; (c) higher one-time and ongoing costs associated with a revision to the schedule for the issuance of compliant licenses and cards; and (d) the application of document verification requirements to more types of license transactions than had initially been assumed.

14. With respect to data processing costs, the Department's initial estimate was based on the assumption that DHS would allow the electronic links to various document verification databases to be established over a period of four years. However, the draft rules would not allow for a gradual development of the verification systems. Consequently, the data processing work would need to be accelerated, accounting for \$1,085,600 of the additional cost in each year.

15. With respect to higher physical security costs, the draft rules would require measures that were not anticipated when the bill was introduced, such as the installation of exterior security lighting and motion security alarms. The cost to upgrade all 97 DMV service centers to meet these standards accounts for \$3,880,000 of the additional cost in 2007-08.

16. With respect to the schedule for issuing licenses and cards in compliance with Real ID Act provisions, the Department's initial estimate was based on the assumption that all current licensees and card holders could be issued a compliant license or card at the time of renewal.

However, the draft rules would require all licenses and cards to be compliant with Real ID requirements by May 11, 2013. This means that anyone who was issued an eight-year license since May, 2005, will have to be reissued a license in accordance with Real ID Act requirements prior to the time that the license would otherwise expire. The Department's new estimate is based on the assumption that the reenrollment process would take place over the four-year period from 2009 through 2013, increasing the number of license transactions by over 315,000 each year. To address this additional workload, the Department proposes to use four-year project positions, beginning in 2008-09. The Department indicates that 26.4 project positions would be needed for the reenrollment process, but since these positions would be filled relatively late in 2008-09, the full, annualized costs associated with these positions, estimated at \$3,604,600, would not be incurred until 2009-10. The total costs in 2008-09, including training and equipping costs, would be \$1,030,800.

17. In addition to an increase in workload associated with the reenrollment process, the document verification requirements under the draft rules are more stringent than had been assumed. Most significantly, DOT believes that identity documents must be presented and verified each time a license or card is issued, including for duplicate license and reinstatement transactions. This is in contrast to the Department's previous assumption, which was that such document verification would only occur upon the first license issuance or first renewal. DOT indicates that the combination of the new workload and the increase in document verification transactions would require an additional 20.4 positions annually, and \$1,111,900 in 2007-08 and \$1,695,200 in 2008-09.

18. The Department indicates that if it becomes necessary to reissue licenses prior to the date that they would otherwise expire (if the May 11, 2013, full-compliance date is included in the final rules), the new licenses would be issued in accordance with Real ID Act requirements, but they would retain the same expiration date as the original licenses. The reason for not altering the expiration date would be to avoid disrupting the current renewal cycle, which evenly balances the renewal workload over the eight-year cycle. Under current law (and under the bill), there would be no fee charged for the reissuance of a license under these circumstances.

19. Although the DHS draft rules would require all licenses and cards to be issued in accordance with Real ID Act provisions by May 11, 2013, states would be allowed to request a delay in the start of implementation from May 11, 2008, to January 1, 2010. In recognition of the fact that final rules will likely not be completed until the fall of 2007, leaving a relatively short period of time for implementation, DHS indicates that "absent extraordinary circumstances, an extension request will be deemed justified." An extension request must be made by October 1, 2007.

20. Assuming that the May 11, 2013, full-compliance date is included in the final rules, any delay in the starting date would increase the costs of the reenrollment process since a greater number of licenses would need to be reissued in accordance with Real ID Act requirements prior to the time they would otherwise expire and the time available to complete the process would be reduced. However, a delay could also allow the cost of data processing changes to be spread out over a longer period of time, similar to the Department's original plan. In addition, the Department

indicates that data processing changes are more likely to be successfully implemented if they are done gradually.

21. Another potential advantage of delaying the implementation of the changes would be to reduce the cost associated with buying out the contract of the current vendor for the license card materials and production equipment. The Department's current contract for the cards and equipment expires in November of 2010. The Department has assumed that the new materials and production methods required by the Real ID Act would force the cancellation of the contract, costing an estimated \$2,400,000. A delay in the time when this contract must be cancelled would reduce that cost.

22. The Department's revised estimate of implementation costs assumes no delay in the May 11, 2008, implementation date. However, as the previous points illustrate, the state may be able to realize net savings from a delay if the savings associated with a more gradual data processing schedule and a reduced contract buyout cost outweigh the higher costs of a compressed reenrollment schedule.

23. Since the provisions of the final DHS rules may differ from the draft rules, it may be difficult for the Legislature to enact all of the statutory and fiscal provisions needed to bring the state fully into compliance with the Real ID Act as part of the budget bill. Consequently, one alternative would be to remove the statutory provisions related to the Real ID Act from the bill, with the understanding that these issues could be reconsidered during the Legislature's fall session, when more complete information is available regarding the implementation requirements and costs. At that time, it would also be possible to make a better assessment of the benefits and costs of delaying the implementation date.

24. Another point for consideration is the possibility that Congress may act to modify the Real ID Act. Several state legislatures have indicated a reluctance to comply with the Act unless changes are made or unless additional federal funding is provided for implementation. Discussions in Congress on potential modifications are ongoing. Removing the Real ID Act provisions from the bill would allow more time to monitor these developments.

25. One potential source of additional funds for implementing the Real ID Act provisions is federal Department of Homeland Security grants, although the amount of this funding available is relative small in relation to the total estimated cost. The DHS draft rules specify that states may use up to 20% of the funding received under the DHS state homeland security grant program toward the Real ID Act costs. In federal fiscal year 2006, Wisconsin received \$8,710,000 in this grant program (the 2007 amount is still unknown). However, in the President's 2008 budget proposal, total funding for this program would be reduced, relative to the 2006 amount, by 65%. Consequently, if this proposed reduction is enacted in the final budget and the state receives the same proportion of the funding as in the past, the state's grant would be reduced to about \$3.0 million. In turn, the 20% amount available for Real ID Act implementation would be just over \$600,000. The use of these federal funds for Real ID Act expenses would require reducing the amount of such funds that are made available for currently-funded functions. In 2006, the

Department of Administration's Office of Justice Assistance (OJA), which administers the funds on behalf of the state, used the statewide share of the funding for a variety of purposes, including OJA administrative costs, coordination of information sharing among emergency management and law enforcement agencies, measures to protect "high risk" infrastructure, and planning for mass shelter and evacuation capabilities.

26. As noted earlier, the bill also contains other changes, summarized under the Real ID Act item, related to the Driver License Agreement. There are also technical changes to recently implemented provisions related to the issuance of licenses and identification cards to non-citizens. If a decision is made to remove the Real ID Act provisions from the bill, separate decisions could be made to approve one or both of these other changes.

27. If a decision is made to retain the Real ID Act provisions in the bill, without delaying the start of implementation, additional funding and positions could be provided to fully fund the costs according to the Department's revised estimates (increases of \$6,077,500 SEG and 20.4 SEG positions in 2007-08 and \$3,811,600 SEG and 46.8 positions in 2008-09). In addition, the Department indicates that a statutory change would be necessary allowing the Department to request current driver's license holders to come to a DMV service center to have the license reissued prior to its regular expiration date.

28. Given the higher estimated cost of complying with the draft rules, the Department has proposed that the implementation of the provisions in the bill related to joining the Driver License Agreement could be delayed to offset some of the higher cost. Under this proposal, funding for DLA implementation would be reduced by \$353,600 SEG and 2.6 SEG positions in 2007-08 and \$328,500 SEG and 1.6 SEG positions in 2008-09, retaining \$55,400 SEG and 1.0 SEG position in 2008-09 to begin implementation. Any decisions relative to the DLA provisions could be made when the Committee considers LFB Issue Paper #796.

29. If the provisions related to the Real ID Act are retained in the bill, there is the possibility that the final rules would require (or allow) additional statutory changes. Similarly, it is possible that the cost of complying with the final rules is either more or less than the amount of funding provided by the budget act. One alternative that would allow DOT to have flexibility with regard to the starting date would be to eliminate the May 11, 2008, effective date and specify, instead, that the Department may publish a notice in the Wisconsin Administrative Register that establishes the implementation date after May 11, 2008. With regard to implementation costs, instead of providing funding in the appropriation for the Division of Motor Vehicles, the funding could be provided in the Committee's appropriation. The Department could be given the authority to submit a request to the Committee for funding, once more complete information is available on the costs. The Committee could transfer any amount not needed for implementation costs to any other SEG appropriation in DOT.

30. If the Committee decides to remove funding and statutory changes related to the Real ID Act from the bill, the data processing necessary to comply with the federal act could be delayed. This could potentially prevent the Department from meeting a May 11, 2008,

implementation date. In order to allow the data processing to start at the same time as it would if the funding and statutory provisions were retained in the bill, the Committee could decide to retain the funding for data processing in 2007-08 (\$2,715,300). Any additional amounts that are determined necessary to complete the data processing changes could be provided in subsequent legislation.

31. In DOT's budget request, the Department had asked for the deletion of a current law provision that requires that a DMV service center be located in each county. The rationale for this request was to allow the Department, with the implementation of the Real ID Act provisions, to close certain low-volume service centers as a cost-saving measure. The Department of Administration indicates that the Governor's intent was to not close any service centers, so this requested change was rejected. However, the provision allowing the Department to close service centers was inadvertently included in the bill. Consequently, if the Real ID Act provisions are retained in the bill, the change to the service center requirement could be removed to reflect the Governor's intent.

Summary of Alternatives on Real ID Act Implementation

32. The Committee's primary options with respect to statutory changes and funding can be divided into two categories: modify the statutory provisions and increase funding in the bill to comply with the provisions of the draft rules or remove the statutory provisions and funding from the bill.

33. The benefits of retaining the provisions and funding would be that DOT could begin the process of implementation, making it more likely that DOT could meet the May 11, 2008, implementation date. The disadvantage would be that the final federal rules may differ from the draft rules, making additional statutory or funding changes necessary. If this alternative is chosen, additional variations could include: (a) deleting the provision that would eliminate the requirement that DOT have a DMV service center in every county; (b) placing the funding for implementation in the Committee's appropriation to allow continued monitoring of the costs of implementation by the Committee; and (c) allowing DOT to establish the effective date of the statutory changes by publishing a notice in the Wisconsin Administrative Register.

34. The benefits of deleting the statutory provisions and funding related to the Real ID Act from the bill is that the necessary changes and funding could be considered again at a later time, after the final rules are published. One disadvantage is that such a delay may make it more difficult for DOT to begin implementing the requirements by May 11, 2008. Another disadvantage is that the decisions regarding the amount of funding provided for implementation would not be made in the context of other transportation funding decisions. Other variations could include: (a) retaining provisions in the Real ID Act item related to the Driver's License Agreement; and (b) retaining technical modifications to current law provisions related to the issuance of driver's licenses and identification cards to non-citizens. One modification of this alternative would be to retain funding in the bill in 2007-08 to begin data processing changes. A separate decision could be made to delete the security verification fee, which would allow the fee to be established in subsequent legislation, at a level necessary to fund the costs of implementation.

Security Verification Fee

35. The bill's \$10 security verification fee would take effect on January 1, 2008, and is intended to generate enough revenue to approximately offset the cost of implementing the Real ID Act provisions. The revenue that would be generated by the fee is estimated at \$6,915,900 in 2007-08 and \$13,831,900 in 2008-09, which would be \$2,889,400 less than the amount appropriated for the Division of Motor Vehicles for Real ID Act implementation in 2007-08 and \$1,647,900 more than the amount appropriated in 2008-09.

36. When DOT's reestimated costs are considered, the revenue generated by the \$10 security verification fee would fall short of the full implementation costs, by \$8,966,900 in 2007-08 and \$2,163,700 in 2008-09, for a biennial shortfall of \$11,130,600. If the security verification fee were raised to \$15, this shortfall would be reduced to \$756,600.

37. The state would not have to create such a fee to comply with the provisions of the Real ID Act. Funding for the Division of Motor Vehicles is provided from the transportation fund without regard to the revenues generated by the fees that are collected by the Division. Consequently, the Committee could make a decision to eliminate the fee, but still provide funding to implement the Real ID Act provisions from other transportation fund revenues.

38. If the Committee decides to delete the provisions implementing the Real ID Act, the Committee could also decide to delete the \$10 fee. In this event, the fee could be enacted through subsequent legislation, when additional information is available on the implementation costs. The Department indicates that it takes about three months to implement a change to the fees charged on driver's license transactions, in part due to the time needed to include information on the change in driver's license renewal notices. Therefore, if subsequent legislation is enacted after October 1, 2008, the proposed starting date of the fee and the associated revenue generated would be impacted.

ALTERNATIVES TO BILL

A. Real ID Act Statutory Changes and Funding

1. Adopt the Governor's recommendation to provide \$9,805,300 SEG and 25.9 SEG positions in 2007-08 and \$12,184,000 SEG and 25.9 SEG positions in 2008-09 for the cost of implementing provisions of the federal Real ID Act and make statutory changes needed to implement the federal requirements, generally effective on May 11, 2008.

ALT A1	Change to Bill		Change to Base	
	Funding	Positions	Funding	Positions
SEG	\$0	0.00	\$21,989,300	25.90

2. Modify the Governor's recommendation by providing additional funding of

\$6,077,500 SEG and 20.4 SEG positions in 2007-08 and \$3,811,600 SEG and 46.8 SEG positions (26.4 of which would be four-year project positions) in 2008-09 to fully fund DOT's estimated cost of the Real ID Act provisions, as outlined in the Department of Homeland Security's draft rules, and specify that DOT may request that persons who hold a license that was not issued in compliance with the bill provisions, but which expires after May 11, 2013, report to a DMV service center to be reissued a license in accordance with the bill provisions.

ALT A2	Change to Bill		Change to Base	
	Funding	Positions	Funding	Positions
SEG	\$9,889,100	46.80	\$31,878,400	72.70

3. In addition to Alternatives #1 or #2, adopt one or more of the following:

a. Delete the provision that would eliminate a current law requirement that the Division of Motor Vehicles have a service center in every county.

b. Specify that the provisions of the bill related to the implementation of the Real ID Act shall take effect on May 11, 2008, or the date that the Department of Transportation specifies in a notice published in the Wisconsin Administrative Register, whichever is later.

c. Transfer the funding under the alternative from the appropriation for the Division of Motor Vehicles to the Joint Committee on Finance's supplemental appropriation. Specify that the Department of Transportation may make one or more requests to the Committee during the 2007-09 biennium to transfer some or all of this funding for the cost of implementing the Real ID Act provisions. Specify that the Committee may transfer any amount not needed for implementation costs to any other SEG appropriation in DOT.

4. Delete \$9,805,300 SEG and 25.9 SEG positions in 2007-08 and \$12,184,000 SEG and 25.9 SEG positions in 2008-09 to remove funding and positions for the implementation of the Real ID Act and delete statutory provisions in the bill to bring the state into compliance with the federal requirements.

ALT A4	Change to Bill		Change to Base	
	Funding	Positions	Funding	Positions
SEG	-\$21,989,300	- 25.90	\$0	0.00

5. Delete \$7,090,000 SEG and 25.9 SEG positions in 2007-08 and \$12,184,000 SEG and 25.9 SEG positions in 2008-09 to remove funding and positions for the implementation of the Real ID Act, except for \$2,715,300 in 2007-08 to begin data processing changes, and delete statutory provisions in the bill to bring the state into compliance with the federal requirements.

ALT A5	Change to Bill		Change to Base	
	Funding	Positions	Funding	Positions
SEG	-\$19,274,000	- 25.90	\$2,715,300	0.00

6. In addition to Alternatives #4 or #5, adopt one or both of the following modifications:

a. Retain provisions, effective on the bill's general effective date, that would modify recently implemented rules for the issuance of licenses and identification cards to non-citizens to specify: (1) that the special license expiration rules for non-citizens do not apply to persons who have achieved permanent residency status; and (2) that a license or card issued to a non-citizen expires on the date that it would expire if issued to a U.S. citizen if that date occurs prior to the date that the person's legal presence expires.

b. Retain provisions related to conducting criminal background investigations of DMV employees, which would be necessary to implement the provisions of the bill related to the Driver's License Agreement.

B. Security Verification Fee

1. Approve the Governor's recommendation to create a \$10 federal security verification mandate fee, payable upon driver's license and identification card transactions, effective January 1, 2008, and estimate increased transportation fund revenue at \$6,915,900 in 2007-08 and \$13,831,900 in 2008-09.

ALT B1	Change to Bill		Change to Base	
	Revenue		Revenue	
SEG	\$0		\$20,747,800	

2. Modify the Governor's recommendation by increasing the security verification fee to \$15. Increase estimated transportation fund revenues by \$3,458,000 in 2007-08 and \$6,916,000 in 2008-09.

ALT B2	Change to Bill		Change to Base	
	Revenue		Revenue	
SEG	\$10,374,000		\$31,121,800	

3. Delete provision.

ALT B3	Change to Bill Revenue	Change to Base Revenue
SEG	- \$20,747,800	\$0

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